

Message Text

CONFIDENTIAL

PAGE 01 COTONO 00001 041648Z

43

ACTION AF-07

INFO OCT-01 EUR-12 ISO-00 CIAE-00 DODE-00 PM-03 H-01

INR-05 L-02 NSAE-00 NSC-05 PA-01 RSC-01 PRS-01 SP-02

SS-15 USIA-06 AID-05 COME-00 EB-07 FRB-01 TRSE-00

XMB-02 OPIC-03 CIEP-01 LAB-04 SIL-01 OMB-01 FCC-01

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R 041615Z DEC 74

FM AMEMBASSY COTONOU

TO SECSTATE WASHDC 6762

INFO AMEMBASSY ABIDJAN

AMEMBASSY LAGOS

AMEMBASSY LOME

AMEMBASSY NIAMEY

AMEMBASSY OUAGADOUGOU

AMEMBASSY PARIS

C O N F I D E N T I A L SECTION 1 OF 2 COTONOU 1865

EO 11652: GDS

TAGS: PINT, EINV, ECON, DM

SUBJ: RADICALIZATION OF THE REVOLUTION: THE STATE ASSUMES
CONTROL OF KEY SECTORS OF THE ECONOMY

REF A-95 DATED 27 NOV

1. SUMMARY: ONE 3 DEC THE DAHOMEAN GOVT (MRGD) ANNOUNCED THE NATIONALIZATION OF THE COUNTRY'S TELEPHONE/CABLE SYSTEM TO THE EXTERIOR AND TWO BANKS (ONE COMMERCIAL AND ONE DEVELOPMENT BANK), THE ASSUMPTION OF SHARES IN TWO OTHER COMMERCIAL BANKS, THE ASSUMPTION OF STATE MONOPOLIES OF INSURANCE AND AUTO LOAN BUSINESS AND THE RESTRICTION IN OWNERSHIP OF FREIGHT FORWARDING BUSINESSES TO DAHOMEAN NATIONALS. IT AFFIRMED CONTINUED DAHOMEAN MEMBERSHIP IN THE WEST AFRICAN MONETARY UNION AND THE CFA FRANC ZONE. AMERICAN FIRMS (FIRST NATIONAL CITY BANK AND BANK
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 COTONO 00001 041648Z

OF AMERICA) HAVE PARTICIPATION IN THE TWO COMMERCIAL BANKS IN

WHICH THE GOVT HAS TAKEN NEW SHARES. FOREIGN MINISTER HAS ASSURED FRENCH AMB PRIVATELY THAT MRGD INTENDS TO REACH NEGOTIATED SETTLEMENT WITH THE FOREIGN FIRMS AFFECTED. IN VIEW OF (AL PRES KEREKOU'S DECLARATION FOUR DAYS AGO THAT DAHOMEY IS HENCEFORTH TO BE A "MARXIST-LENINIST SOCIETY", (B) HIS GOVT'S CURRENT OFFENSIVE AGAINST "CAPITALISM", AND (C) NATIONALIZATION/MONOPOLIZATION MEASURES TAKEN YESTERDAY, CLIMATE FOR FOREIGN INVESTMENT MUST BE RATED LESS FAVORABLE THAN BEFORE. INFORMAL USG ADVICE PROVIDED TO POTENTIAL US INVESTORS SHOULD TAKE INTO ACCOUNT RECENT DEVELOPMENTS HERE AND BE GENERALLY RESERVED IN TONE. END SUMMARY.

2. ACCORDING TO OFFICIAL RADIO YESTERDAY (3 DEC) THE NEWLY-CREATED POLITICAL BUREAU OF NATIONAL REVOLUTIONARY COUNCIL (FOR ANALYSIS SEE REFAIR) THE PREVIOUS DAY TOOK THE FOLLOWING DECISIONS TO BRING KEY SECTORS OF THE ECONOMY UNDER DIRECT STATE CONTROL;

A. NATIONALIZED THE SOCIETE DAHOMEENNE DE BANQUE (SDF) THE LARGEST OF THREE COMMERCIAL BANKS IN THE COUNTRY, IN WHICH THE GOVT ALREADY HAD A 31 PERCENT INTEREST) AND THE BANQUE DAHOMEENNE DU DEVELOPPEMENT (BDD, ALREADY UNDER CONTROL OF THE GOVT WHICH HAD 55 PERCENT OWNERSHIP)

B. STATE WILL TAKE SHARES OF CAPITAL IN THE OTHER TWO COMMERCIAL BANKS IN DAHOMEY, THE BANQUE INTERNATIONALE POUR LE COMMERCE ET L'INDUSTRIES (BICI) AND THE BANQUE INTERNATIONALE DE L'AFRIQUE DE L'OUEST (BIAO). (WE HAVE LEARNED THAT THE STATE'S SHARES ARE TO BE 50 PERCENT AND 10 PERCENT RESPECTIVELY.)

C. GIVE TO THE STATE A MONOPOLY OF CONTROL OVER AUTO LOANS (PREVIOUSLY ONLY ONE FRENCH CONTROLLED FIRM HAD BEEN INVOLVED IN THIS BUSINESS).

D. GIVE TO THE STATE A MONOPOLY FOR THE ISSUANCE OF INSURANCE AND REINSURANCE POLICIES IN DAHOMEY. A NEW NATIONAL COMPANY IS TO BE FORMED TO CARRY ON THIS BUSINESS. (IN MARCH 74 THE GOVT CAUSED THE AMALGAMATION OF ALL PRIVATE INSURANCE COMPANIES INTO ONE FIRM, WHICH REMAINED UNDER THE CONTROL OF FRENCH INTERESTS, BUT WITH A DAHOMEAN BOARD PRESIDENT APPOINTED BY THE CONFIDENTIAL

CONFIDENTIAL

PAGE 03 COTONO 00001 041648Z

GOVT.)

E. RESERVED TO DAHOMEAN NATIONALS THE BUSINESS OF FREIGHT FORWARDING. IN ADDITION TO THE EXISTING STATE OWNED TRANSIT AGENCY (SONATRAC) A NEW PARA-STATAL ENTERPRISE WILL BE CREATED GROUPING TOGETHER ALL EXISTING DAHOMEAN-OWNED PRIVATE FREIGHT FORWARDING COMPANIES. THE STATE WILL TAKE A 49 PERCENT PARTICIPATION IN THIS NEW COMPANY.

F. NATIONALIZED FRANCE-CABLE-RADIO, THE DAHOMEAN LONG-DISTANCE TELEPHONE/CABLE SYSTEM TO THE EXTERIOR.

3. IN ADDITION, THE POLITICAL BUREAU REAFFIRMED DAHOMEY'S MEMBERSHIP IN THE WEST AFRICAN MONETARY UNION AND THE CFA FRANC ZONE. IT ALSO APPOINTED TWO "POLITICAL SUPERVISORS" FOR THE SDB AND THE BICI.

4. ACTUALLY THE PUBLIC ANNOUNCEMENT FOLLOWED BY SEVERAL HOURS THE MILITARY SEIZURE OF THE FIRMS IN QUESTION. BANK CLIENTS ARE QUESTIONED BY ARMED SOLDIERS AND AS THEY LEAVE THEY ARE FRISKED FOR MONEY AND DOCUMENTS.

5. UPON HEARING THE NEWS OF THE MILITARY OCCUPATION OF FIRMS OWNED IN FULL OR IN PART BY FRENCH INTERESTS, THE FRENCH AMB MADE DEMARCH ON FORNMIN ALLADAYE WHO GAVE HIM ASSURANCES THAT THE GOVT WOULD NEGOTIATE A SETTLEMENT WITH THE FIRMS IN QUESTION. REPLYING TO FRENCH AMB'S QUESTION, FORNMIN URGED THAT THE FRENCH MISSION DUE HERE DEC 8 TO 20, TO COMPLETE NEGOTIATIONS FOR THE NEW "COOPERATION ACCORDS" BETWEEN THE TWO GOVERNMENTS, SHOULD COME AS PLANNED.
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